

DECISION MEMORANDUM

TO: COMMISSIONER KJELLANDER
COMMISSIONER RAPER
COMMISSIONER ANDERSON
COMMISSION SECRETARY
COMMISSION STAFF

FROM: DAPHNE J. HUANG
DEPUTY ATTORNEY GENERAL

DATE: MARCH 25, 2016

SUBJECT: IDAHO POWER'S APPLICATION FOR AUTHORITY TO IMPLEMENT
FCA RATES FOR ELECTRIC SERVICE FROM JUNE 1, 2016
THROUGH MAY 31, 2017, CASE NO. IPC-E-16-02

On March 15, 2016, Idaho Power Company filed an Application asking the Commission for an Order authorizing it to implement Fixed Cost Adjustment (FCA) rates for electric service from June 1, 2016 through May 31, 2017, and to approve its corresponding tariff Schedule 54, Fixed Cost Adjustment. Idaho Power asks that its Application be processed by Modified Procedure. Also, Idaho Power asks for an effective date of June 1, 2016, and thus requests that the Commission issue its Order by May 27, 2016.

BACKGROUND

Using traditional rate design, utilities recover fixed costs¹ through each kilowatt-hour (kWh) sold, and are thus discouraged from reducing sales volume by investing in energy efficiency and demand-side management (DSM). *See* Application at 2. The FCA is a rate adjustment mechanism that separates or “decouples” Idaho Power’s fixed-cost revenues from its volumetric energy sales. *Id.* at 3. This decoupling enables the Company to recover its fixed costs to deliver energy – as set in its most recent general rate case – even when energy sales and revenues have decreased. Order No. 33295 at 1; *see* Application at 3.

Idaho Power’s FCA program was first initiated in 2007, as a pilot program for residential service and small general service customers. Application at 2. In 2012, the Commission approved the Company’s request to make the FCA a permanent program. Order No. 32505. In 2015, the Commission approved a settlement stipulation that changed FCA

¹ “Fixed costs” are a utility’s costs to provide service that do not vary with energy use, output, or production, and remain relatively stable between rate cases.

calculation methodology by replacing use of weather-normalized data with actual data, to ensure improved accuracy. Order No. 33295 at 5; *see* Application at 3.

PROPOSED 2016-2017 FCA RATE ADJUSTMENT

Idaho Power proposes an FCA of \$26,897,109 for the residential class, and \$1,157,433 for the small general service class, for a total of \$28,054,542. *Id.* at 4. The proposed FCA deferral balance is an incremental increase above the current FCA deferral balance collected in customers' rates. *Id.* at 4-5. Thus, Idaho Power proposes an FCA rate increase to allow it to recover its authorized revenues as determined by the FCA mechanism. *Id.* at 5. The proposed FCA rates would result in an increase of 2.2% from billed revenue for the affected customer classes. *Id.* at 5. The Company proposes a combined rate increase for residential and small general service customers of 2.2% above current rates. *Id.* This equates to new FCA rates of 0.5416 cents per kWh for the residential class and 0.6875 cents per kWh for the small general service class. *Id.*

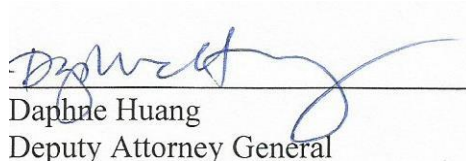
With its Application, Idaho Power submitted its proposed FCA tariff, in clean (Attachment 1) and legislative (Attachment 2) formats. *Id.* The Company also provided supporting Direct Testimony of Zachary L. Harris, a regulatory analyst for Idaho Power.

STAFF RECOMMENDATION

Staff recommends that the case be processed by Modified Procedure with a comment deadline of May 12, 2016, and reply deadline of May 19, 2016.

COMMISSION DECISION

Does the Commission wish to process this case under Modified Procedure with a comment deadline of May 12, 2016 and reply deadline of May 19, 2016?



Daphne Huang
Deputy Attorney General

M:IPC-E-16-02_djh